

AEMC REVIEW OF THE WHOLESALE DEMAND RESPONSE MECHANISM (WDRM) DRAFT REPORT (EPR0099)

14 AUGUST 2025

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Electricity Objectives (NEO) so that our members can continue to provide a fit for purpose product for their customers.

Thank you for the opportunity to make a submission under the Review of the Wholesale Demand Response Mechanism (WDRM) Draft Report.

The EUAA is very supportive of the AEMC creating a workable two-sided market. However, take up of the WDRM has been slow (75MW to-date) with market benefits being minimal while exposure to market risks remains high. We have confidence that the WDRM can provide major benefits to the NEM and we are supportive of the AEMC's draft determination to continue with the WDRM. However, the WDRM needs to be consistent with other two-sided market mechanisms and the risks and benefits for the consumer participating need to be clear and able to be managed.

We do not agree that the WDRM should maintain its current form. The WDRM has failed to achieve its objectives and to not change the approach to achieve better outcomes is not an option.

We are also disappointed that the market bodies have created confusion through overlapping mechanisms, isolated jargon and poor coordination that is written for market participants and not those who the market bodies want to be engaged; consumers, which is a requirement of the NEO.

Our members produce products for their customers, and either do not want to participate actively or do not have the resources to participate actively in the two-sided market as this entails employment of skills they don't currently have, and increasing the risk profile of receiving electricity. For many of our members, their preference is to participate passively.

From these perspectives, we are disappointed that the AEMC has not taken the opportunity under this review to simplify, align and broaden the scope of the WDRM to improve participation rates.

DEMAND RESPONSE MECHANISMS

From a large consumers perspective, there are four mechanisms with which they can participate in the two-sided market, not three that the draft determination refers.

- WDRM
- Flexible Trading Arrangements (FTA) - which you refer to as *Unlocking CER Benefits through flexible trading*
- Voluntary Scheduled Resources (VSR) - which you refer to as Integrating price-responsive resources into the NEM
- Reliability and Emergency Reserve Trader - which you omit

All of these mechanisms target different audiences for participation, carry different levels of risk and require different levels of sophistication between active participation and passive participation. We see this as a great outcome for consumers.

However, calling a VSR and FTA by the rule change name and not the name that will be used with consumers creates confusion, particularly when two of the mechanisms are currently out for consultation.

We found that the draft determination does not describe these mechanisms nor the differences between them adequately, and leaves out one mechanism (RERT) available to large consumers, demonstrating the difficulty in understanding the different mechanisms even by the energy experts at AEMC.

How is an average consumer supposed to understand the differences if AEMC can not explain them clearly?

While the draft determination presents a view on the differences between the first three mechanisms as being that WDRM requires a Demand Response Service Provider (DRSP) while Flexible Trading and VSR can be traded directly, which is true of the actual NER descriptions, the reality is that these latter two require a Financially Responsible Market Participant (FRMP) or retailer under most circumstances. Given a DRSP is a FRMP (and the two terms are used interchangeably throughout the draft determination) we recommend the AEMC takes the opportunity under this review to align the jargon to FRMP and retailer and do away with the DRSP moniker, simplifying the whole process for consumers.

Further, when selecting between the various mechanisms, our members look at the risk profile. RERT contains the lowest risk and the simplest activation procedure, while WDRM has the highest risk and a more difficult activation procedure. We would expect that the reward for participation in WDRM for consumers would be higher given the higher risk and level of participation, however it is not. This is demonstrated by the larger influx of WDRM participants (95MW) through NSW long-term energy service agreements (LTESA), where participants are rewarded appropriately and are subject to less risk. We are surprised that the AEMC did not take this learning and make changes to support potential participants.

To be consistent with the NEO, AEMC needs to consider the consumer in all of its decisions, especially when asking the consumer to participate in the NEM.

CONSUMER ENERGY RESOURCES (CER) IMPACT ON WDRM

While we agree that sites with CER will make creating a baseline more difficult for WDRM and should therefore participate through a different mechanism, we disagree with the generalised statement that:

“higher CER penetration is expected to cause higher rates of load volatility, thereby making it harder to predict baselines...”

The AEMC should be cautious making decisions that impact consumers based on wide generalisations that are not true for all consumers.

TWO-WAY DEMAND RESPONSE

We disagree with AEMC’s position that the WDRM does not need to be expanded to two-way demand response to assist with minimum demand. The AEMC’s position to reject two-way demand response is:

“...due to the limited instances of sufficient negative prices to incentivise increases in customer consumption”

This position is made by looking at historical records. AEMC argues that only SA and Victoria have hit the necessary -\$200/MWh that justifies a positive demand response, and only infrequently. We would point out that two years ago, this was only SA, and in another two years NSW will also join the club of minimum demand and deep negative pricing. The AEMC should be making a proactive decision based on the period between this review and the next review, not reviewing what may or may not have historically been required. This reactive approach creates rules long after the need has arisen, costing consumers more and is inconsistent with the NEO.

From this perspective, we support the position of both ECA and JEC to include two-way demand response in the WDRM.

INCLUSION OF RESIDENTIAL AND SME LOADS

We often describe different user classes in the NEM such as residential, small to medium enterprise or C&I, as if they are operating in separate markets. They are not. They are all part of the same NEM ecosystem where the actions taken to change behaviour of one customer class (i.e. supporting CER such as solar PV or electric vehicles) can have serious consequences for other customer classes or market participants.

As such, we continue to support the inclusion of all loads in the WDRM as we did through our submissions when the WDRM was being developed. To exclude one segment limits the total size of the benefits that can accrue. This same mistake was made with the initial roll out of roof-top PV, which now makes up a significant proportion of generation in the NEM. The market bodies failure to be proactive in rooftop PV has caused minimum demand, system security issues, negative pricing and significant additional costs on all consumers. The AEMC would be remiss to make the same mistake a second time by underestimating the contribution of residential and SME to the WDRM.

We support ECA and JEC in their proposal to expand the WDRM to all consumers.

VOLTAGE CONTROL AND FREQUENCY CONTROL ANCILLARY SERVICE (FCAS)

We agree with the AEMC that the WDRM is not an appropriate mechanism to manage voltage control and FCAS.

WHOLESALE DEMAND RESPONSE REIMBURSEMENT RATE (WDRRR)

We agree with Red Energy that the current WDRRR methodology raises retailer's financial exposure where a retail contract permits a consumer to reduce peak demand. This financial exposure is created by the WDRRR using an historical average rather than peak forward prices reflecting the periods demand response would be required. The financial exposure is generally reflected in the consumers tariff as a higher tariff, and therefore the benefit for consumers of participation is eroded, leading to reduced uptake and higher overall costs to consumer participants.

The AEMC's arguments that other methodologies for the WDRRR increase complexity do not align with the purpose of the WDRM, to encourage consumers to participate in the two-sided market. Complexity should not be used as an excuse for not proceeding with a methodology that is beneficial to consumers.

BASELINE DEVELOPMENT

While we understand that the AEMC isn't directly involved in developing the baseline methodology, we do point out that we have members who were unable to participate in WDRM due to an inability to meet the baseline requirements.

We do not understand how a business cannot develop a baseline for their circumstances. The AEMC should work with AEMO to ensure that baseline calculations are simplified so that all consumers can participate and/or make the decision on which mechanism they will participate in based on risk and the level of passive versus active participation.

CONCLUDING REMARKS

While we are supportive of AEMC's decision to continue the WDRM, overall, we are disappointed with the AEMC's draft determination, particularly that the AEMC appear to have made decisions based on complexity and maintaining the status-quo rather than taking the review process as an opportunity to improve the WDRM and increase participation rates.

The questions being asked should not be "what do DSRPs, FRMPs and retailers need to increase participation?", but "why aren't consumers participating at the rates we predicted?".

The EUAA welcomes further discussions around the issues raised in this submission.

Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.



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